

INVESTMENT SOLUTIONS & PRODUCTS

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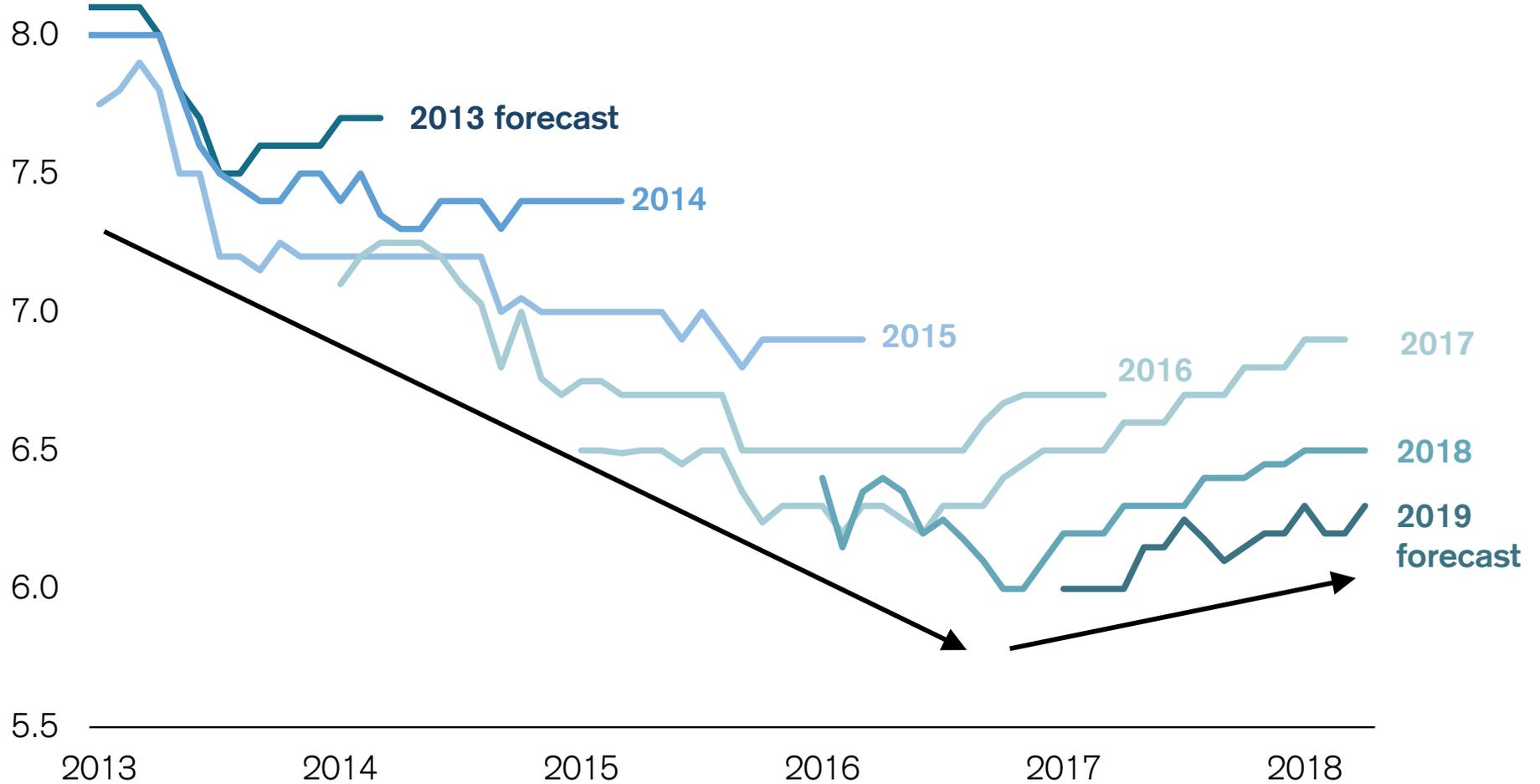
# China: successful rebalancing act

Damian Künzi

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# China: growth optimism has returned

Economists' median GDP forecasts for China (% YoY)

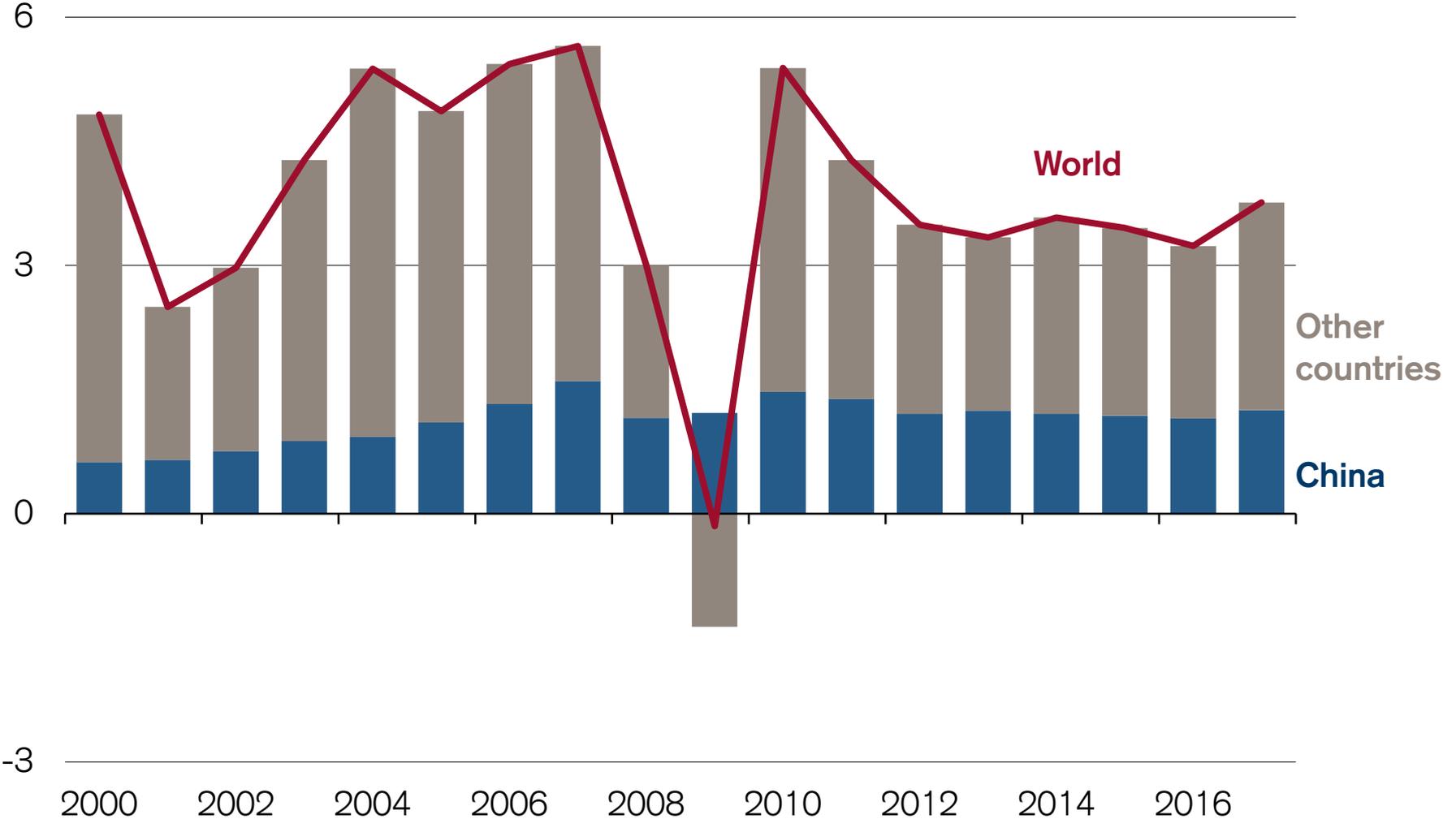


Last data point: April 2018

Source: Bloomberg, Credit Suisse

# China crucial for global economic growth

% YoY, contributions, PPP based



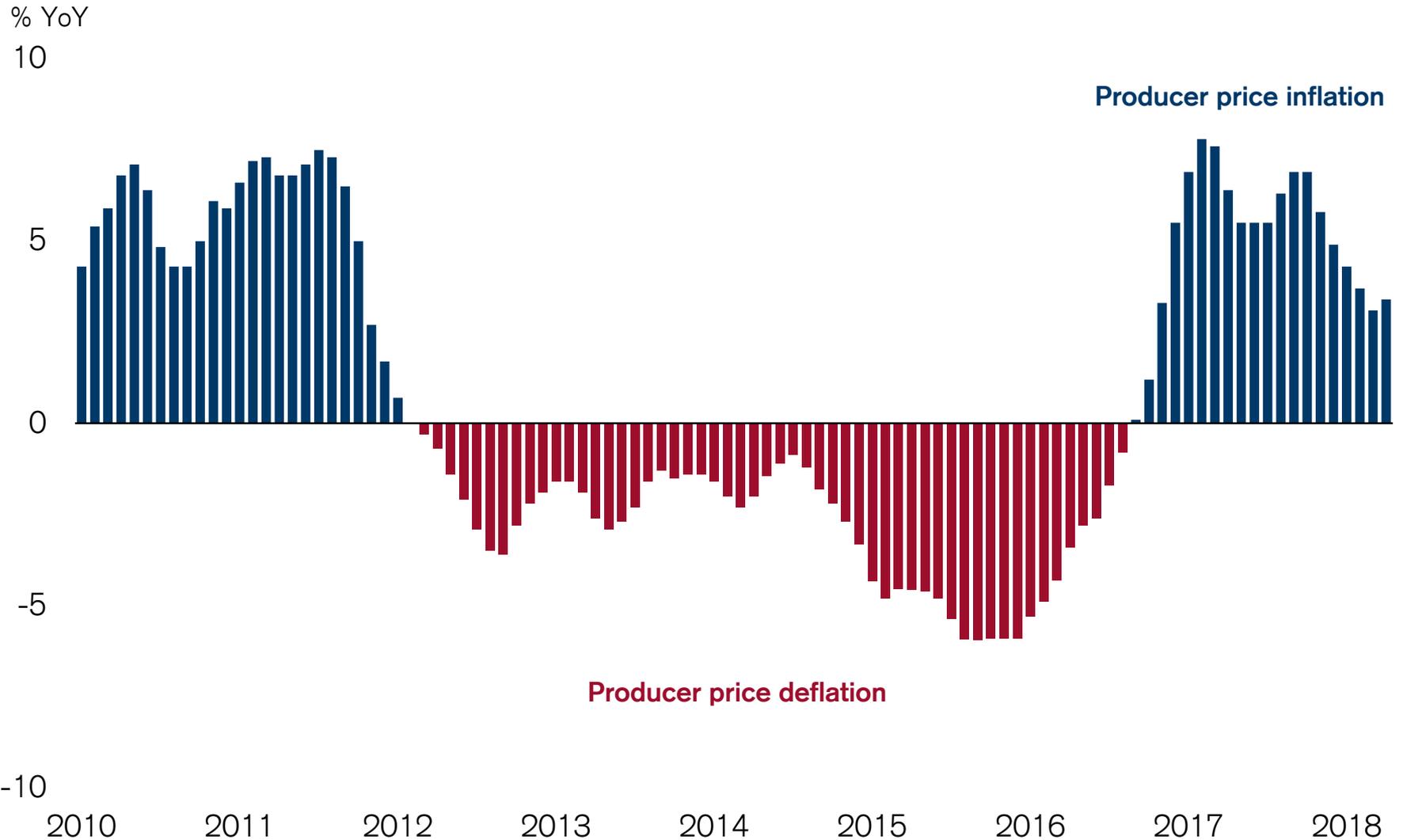
Last data point: 2017

Source: IMF, Datastream, Credit Suisse / IDC

# Reasons to be optimistic

1. “Reflation”
2. Economy is rebalancing
3. Real estate market is back on track
4. Capital outflow pressures have abated

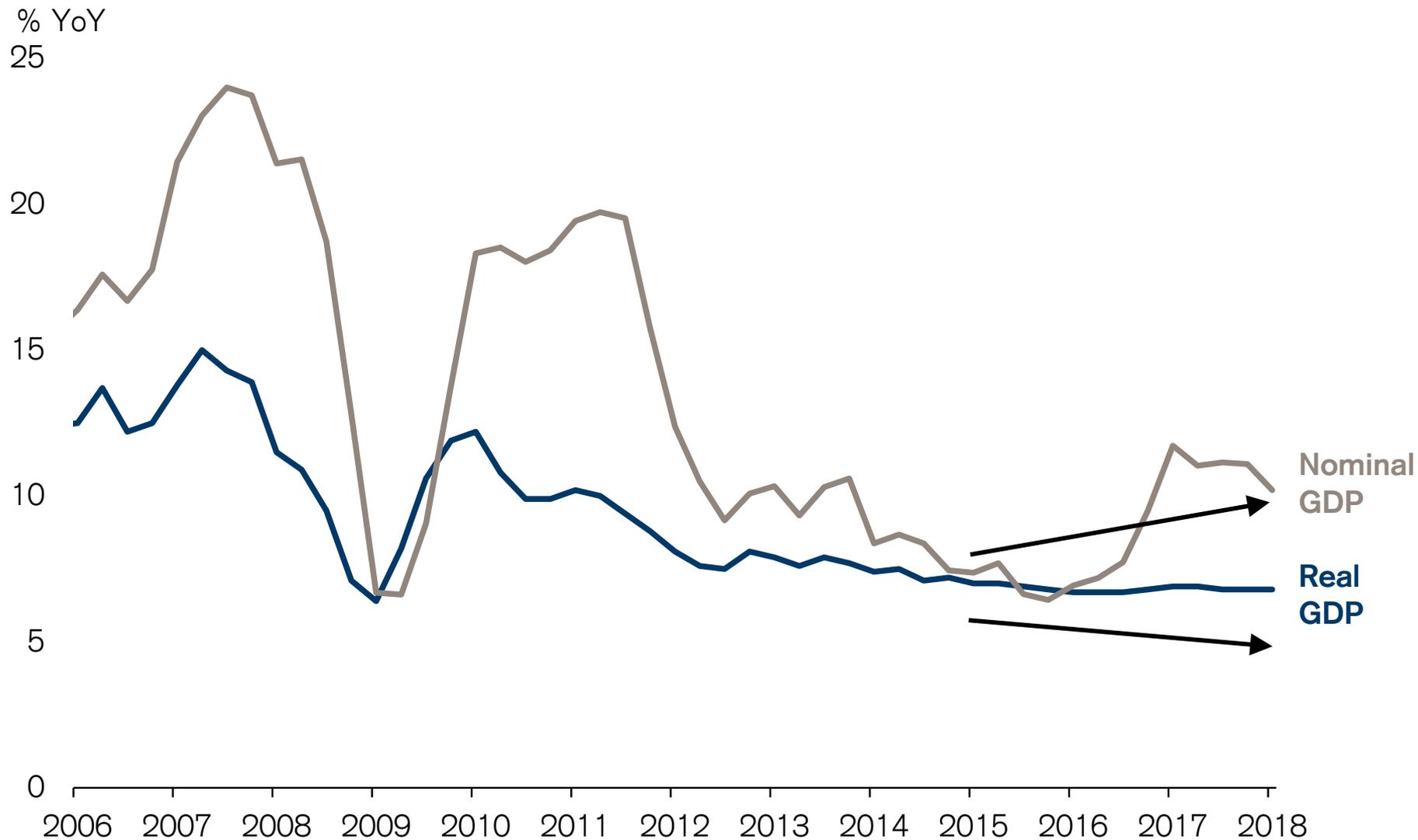
# 1. China has reflat...



Last data point: April 2018

Source: Datastream, Credit Suisse

# ... which has lifted nominal GDP ...

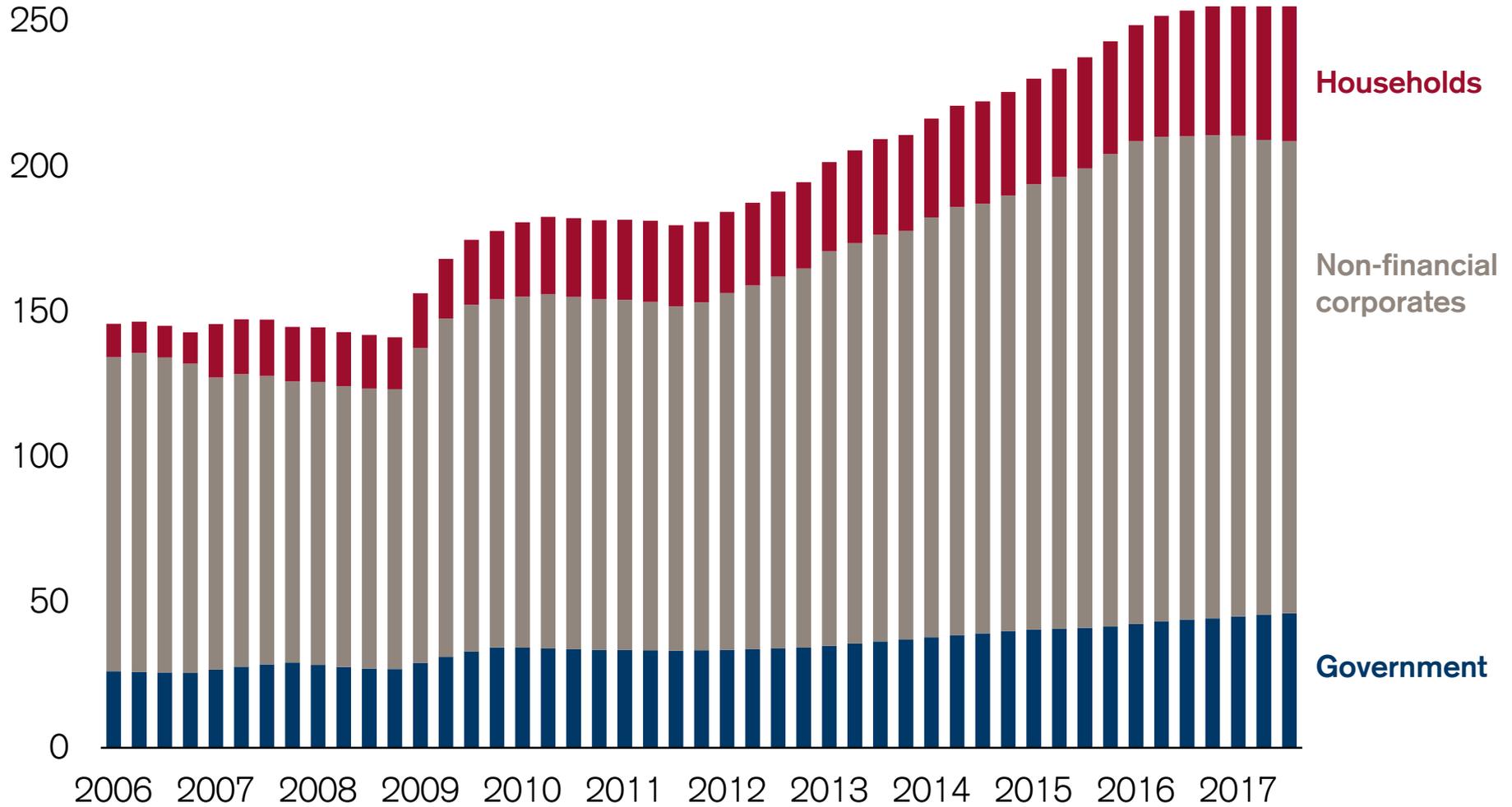


Last data point: Q1 2018

Source: Datastream, Credit Suisse

# ... and stabilized debt levels

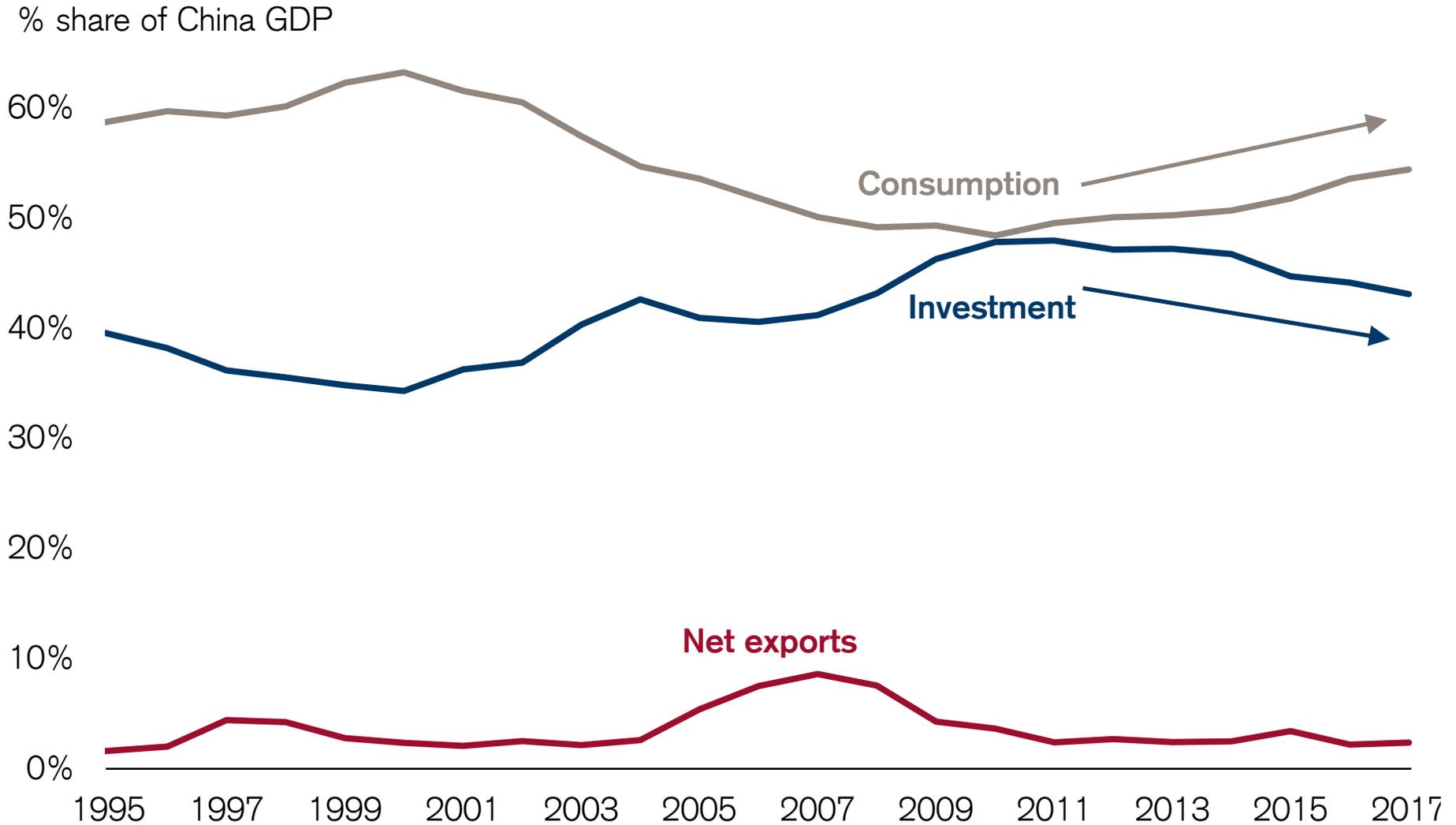
Debt in % of GDP



Last data point: Q3 2017

Source: Datastream, Credit Suisse

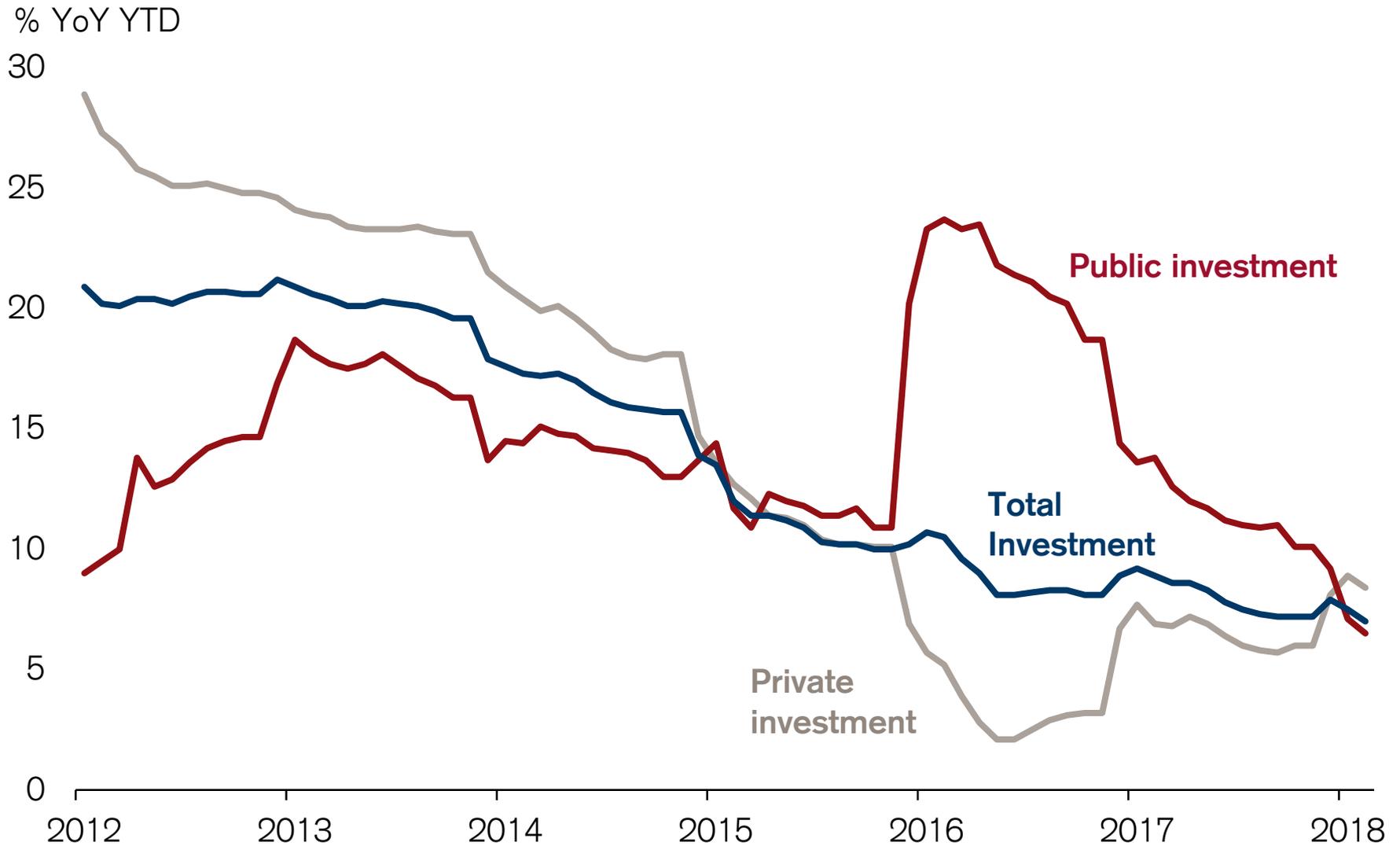
## 2. Economy is rebalancing toward consumption...



Last data point: 2017

Source: Datastream, Credit Suisse

# ... and investment gets less reliant on fiscal spending

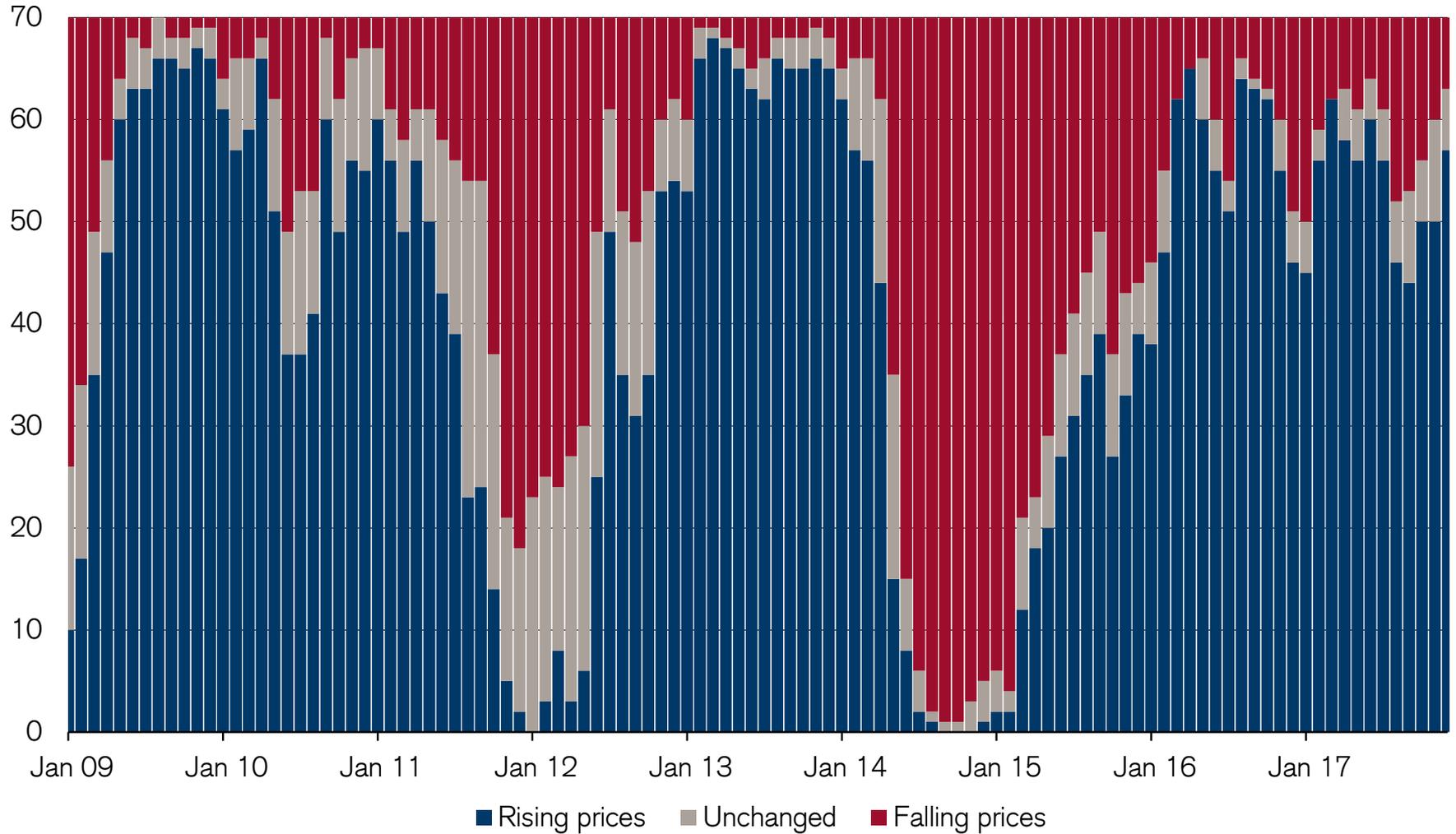


Last data point: April 2018

Source: Datastream, Credit Suisse

# 3. Real estate market is back on track

Number of cities



Last data point: 15.12.2017

Source: Datastream, Credit Suisse / IDC

# 4. Capital outflow pressures have abated



Last data point: May 2018

Source: Datastream, Credit Suisse

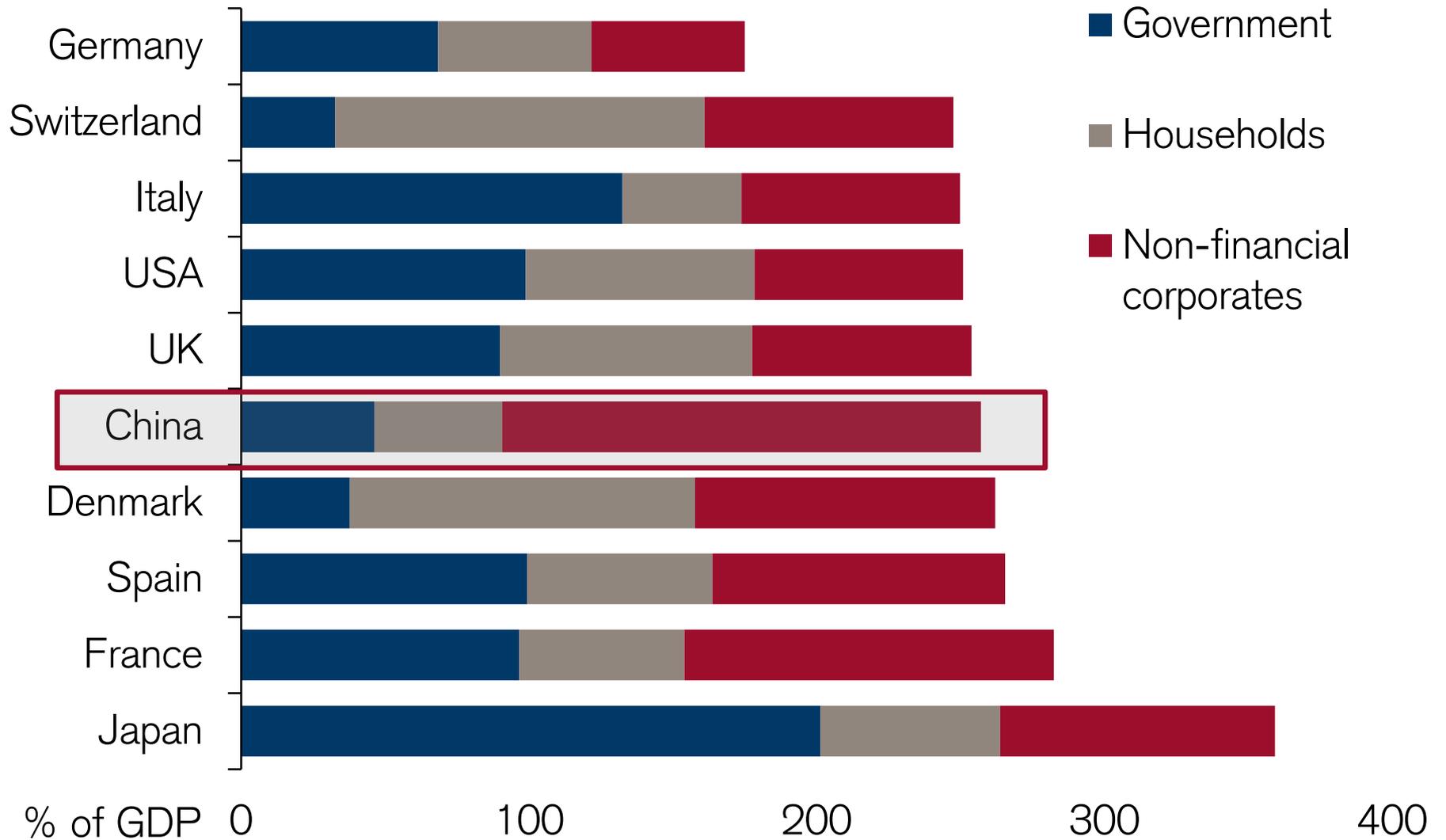
# Reasons to be optimistic...

1. Reflation
2. Economy is rebalancing
3. Real estate market is back on track
4. Capital outflow pressures have abated

## ... but challenges remain

1. Debt problem unsolved
2. Demographics
3. More imminent: trade dispute

# 1. China highly indebted for an emerging market country

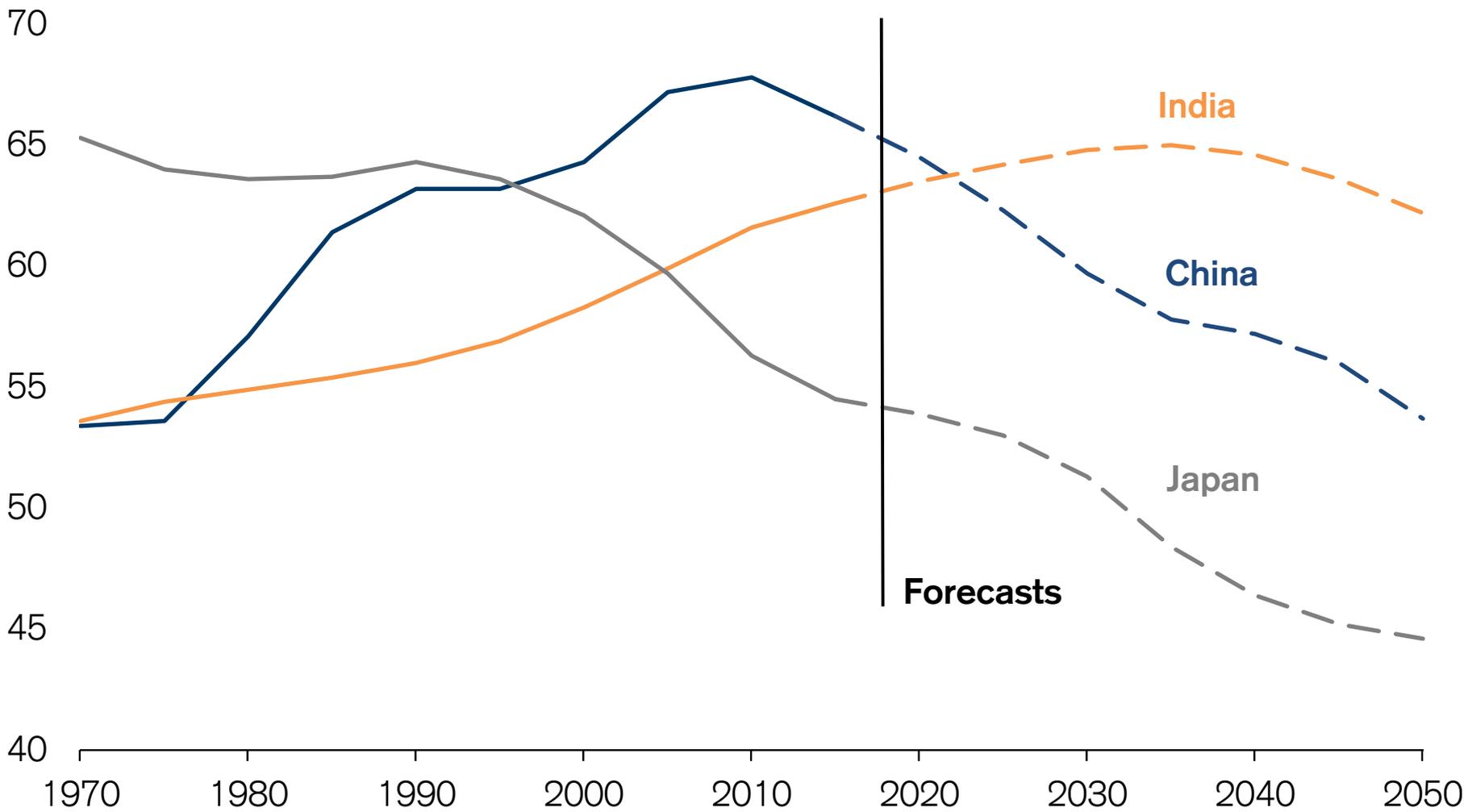


Last data point: April 2018

Source: Datastream, Credit Suisse

## 2. «Peak demographics» in China

working population as a % of total population

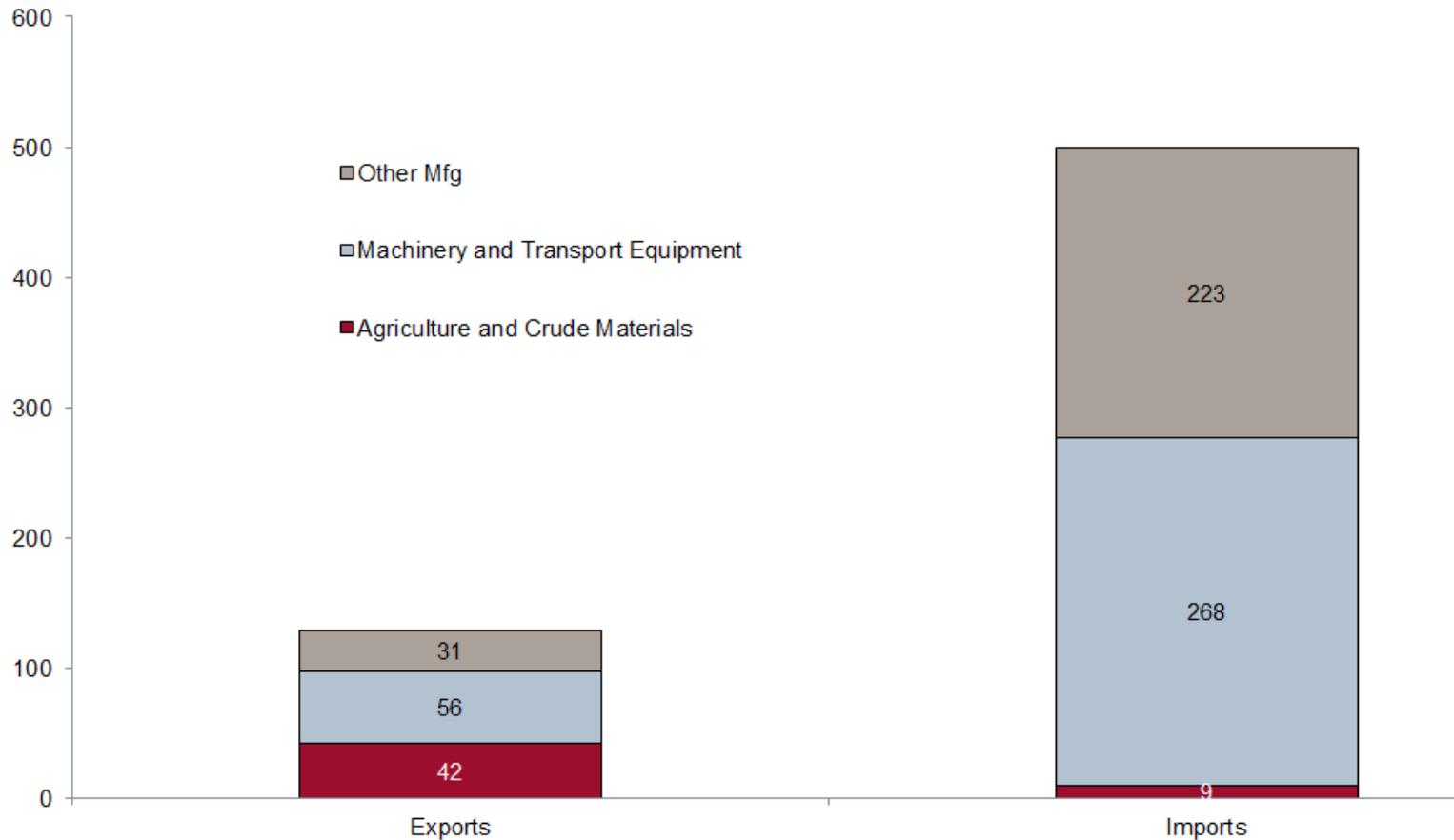


Last data point: 2015

Source: UN, Credit Suisse

### 3. Trade tensions are here to stay, but we do not expect escalation that would hurt global growth

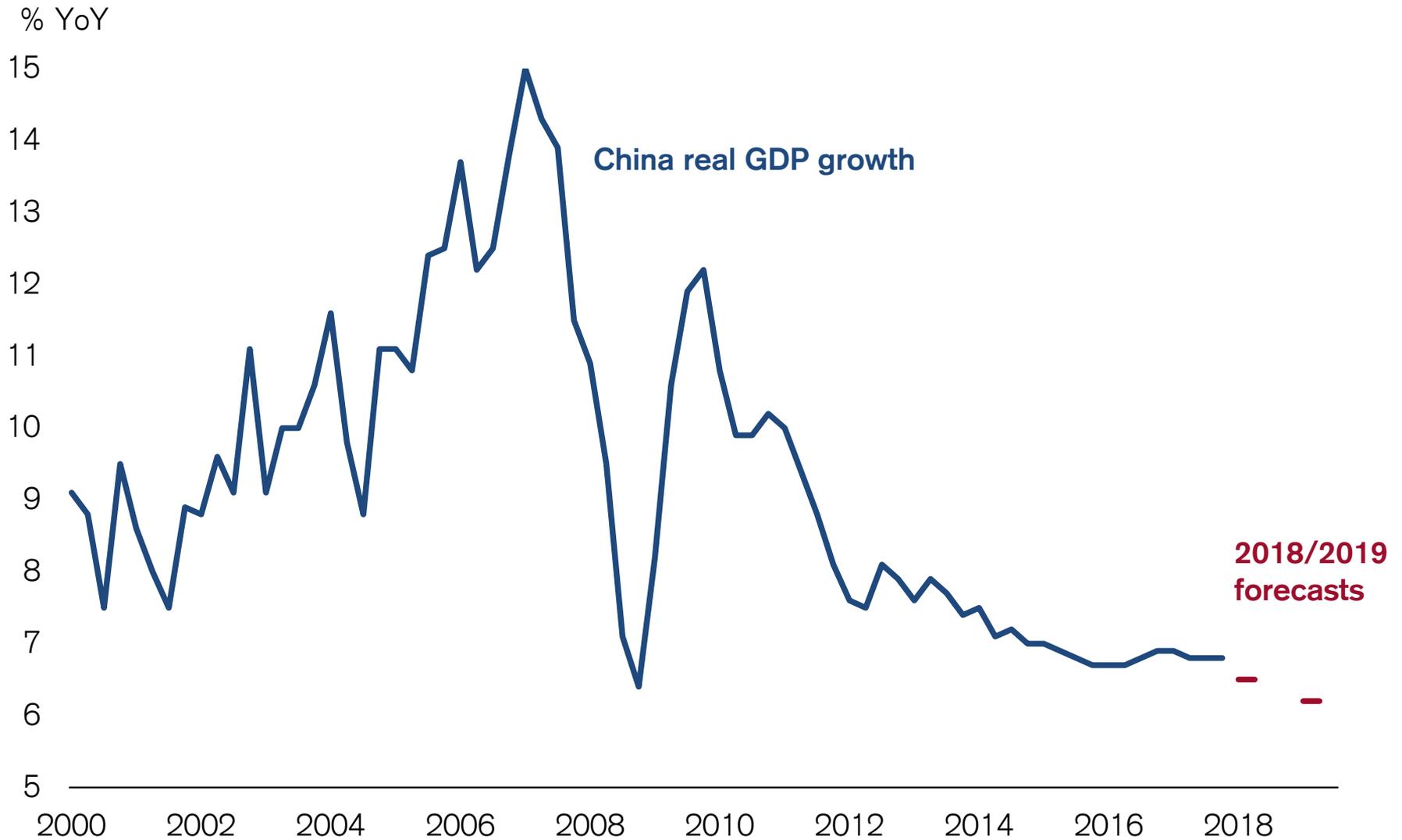
US trade with China (2017), USD bn



Last data point: 2017

Source: Bloomberg, Datastream, Credit Suisse

# Continued slowdown, but risks skewed to the upside



Last data point: 2017

Source: Datastream, Credit Suisse

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